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COUNTRY Indochina

SUBJECT Current situation in Indochina

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1. It is now known that it was on the request of the French Government, and especially administrator Cousseau, that Bao Dai decided to retire Nguyen Van Tam. Bao Dai did it all the more willingly because the Hanoi nationalists were pushing him to place himself at the head of a government of national union and Tam's reputation as a Francophile was an obstacle to a policy of independence in accord with the resolutions of the national Congress of last October.
2. Bau Loc, given the duty of forming a government, was unable to achieve the hopes for national union. To all propositions made to them the nationalists replied that before anything else they wished a national assembly to give the regime a real basis. Those of the North added that they wanted assurances about the principles on which Vietnamese claims would be based in the coming negotiations with France.
3. In the face of exorbitant demands on the part of those who were to receive portfolios, and the other demands of those who wished preliminary engagements with regard to the reform of the regime, Bau Loc had to content himself with setting up a government of technicians, balanced between North and South, and it is around this that he is attempting to achieve a national union unrealizable through personalities.
4. But the problem of democratic reforms remains and is already producing the rise of a Vietnamese republicanism. The civil authority has never been more in peril. Bau Loc is alone in face of the great power groups--the Communists, Hoa Hao, Binh Xuyen, the Catholics of Hanoi, the Binh Du, etc., any one of which is capable of making a coalition with the discontented democrats if excluded from the government.

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5. The Vietnamese press returns periodically to the idea of a national assembly, legislative in the beginning, perhaps constitutional later.
6. While Buu Loc was meditating his project in the silence of Dalat, a new clandestine national congress was already meeting at Saigon under the aegis of the Movement of Union and Peace. This movement is the same that called a special congress last Sep to issue an appeal to the people denouncing the agreement with France and demanding the reform of the regime.
7. The movement includes (in North, Center and South) various types of personalities, opportunists, the discontented of all political colorings, and its main support is from the Caodaists under General Nguyen Thanh Phuong.
8. Bao Dai forbade the official meeting of the congress, but it was held all the same. It was first of all in opposition to Buu Loc, not opposing Bao Dai, but presenting its suggestions to him in the form of an ultimatum. That is, the idea of a national assembly in control of the government has solid backing.
9. Everything now depends on how Buu Loc can get out of his difficulties, for Bao Dai does not oppose in principle elections which could bring into power a pro-Vietminh outfit. Buu Loc intends to announce an assembly during the year, but such a project deceives no one at present.
10. The only point of his program which can bring him, if not popular support, at least popular sympathy, is the struggle against corruption undertaken in cooperation with Duc Khe, the Champion of austerity. Never has corruption so visibly invaded every level of society. Licenses for the exportation of rice are readily financed; passports issued to men of military age. At Hanoi, American aid is used for the profit of Nguyen Huu Tri and his head of cabinet Vu Quy Mao, partly for themselves and partly for the chest of the Dai Viet; there was an \$80,000 profit on the single item of building the model village of Dong Quan. The Dai Viet has a whole regime of corruption in cooperation with the police and any kind of favor can be purchased.
11. The people in general are not ignorant of the fact that they are paying the bills for all this. Indifferent though they have always been, they are beginning to be conscious of what is going on. Tam was aware of the necessity of giving some satisfaction to democratic aspirations still indefinite and confused.
12. There has been no change with regard to the Vietminh peace proposals. Are they propaganda or not? Lacking concrete proposals, the present impression given by rebel activities is that Ho Chi Minh would gladly accept an invitation to talk if the French would take the first step. The project of negotiations has been discussed by the Vietminh chiefs. The possibility of the US forming a solid bastion in Thailand as well as in Indochina by means of aid to the troubled countries has produced a reversal of views in the Asiatic Cominform. In fact, the Communists cannot ignore the efforts of MAAG to provide Bangkok with solid military forces. Again, it does not seem that Vietminh can really conquer Indochina without the direct intervention of China. All these factors militate in favor of a softening of the Vietminh attitude toward peace; and French official circles say that Ho Chi Minh intends to send a mission to New Delhi to make contact with the French.

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